# GOVERNMENT OF INDIA
# DISINVESTMENT
# LOK SABHA

UNSTARRED QUESTION NO:5967
ANSWERED ON:31.08.2001
DISINVESTMENT OF HCI
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**Will the Minister of DISINVESTMENT be pleased to state:**

(a) whether the Government have received financial bids for disinvestment of the Hotel Corporation of India;

(b) if so, the details thereof;

(c) the amount likely to be earned therefrom; and

(d) the reasons for disinvestment of HCI despite its financial strength?

## Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE DEPARTMENT OF DISINVESTMENT, MINISTER OF STATE MINISTRIES OF PLANNING, STATISTICS & PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE DEPARTMENT OF ADMINISTRATIVE REFORMS AND PUBLIC GRIEVANCES (SHRI ARUN SHOURIE)

(a) The process of disinvestment of the Hotel Corporation of India (HCI) is under progress. Financial bids in respect of HCI have not yet been invited.

(b) Does not arise in view of reply to (a) above.

(c) The realization from the proposed disinvestment would depend on various factors like market conditions, financial performance of the Company, terms and conditions of sale, interest of the prospective investors etc. As such, it is not possible to estimate the expected return from the disinvestment.

(d) The process of disinvestment in HCI has been taken up following the acceptance of the recommendations of the Disinvestment Commission. While recommending disinvestment of HCI, the Commission observed that:

• The hotel industry is a highly competitive industry where quality of service is the key success factor. HCI faces tough competition from the private sector operators.

• The poor condition of facilities has adversely affected the brand image and has forced the hotels to compete in terms of price rather than quality. Consequently, HCI is not able to charge premium on room rents.

• HCI compares poorly in terms of cost of repairs per room, selling expenses per room etc.

• The units are highly overstaffed in relation to the size of their operations.

• The occupancy rates of HCI hotels are low in comparison with other private sector hotels. Moreover, the occupancy rate is characterised by a high share of business fro airlines which operates on substantial discount as compared with the regular tourist traffic.

• All the hotels under HCI require renovations on a large scale involving significant capital expenditure.

Disinvestment is being considered and carried out in various PSUs in accordance with the declared policy of the Government. According to the policy, in generality of cases, Government will bring down its equity to 26% or below in all non-strategic PSUs. The strategic PSUs are those in the areas of arms and ammunitions; allied items of defence equipment, defence aircrafts and warships; atomic energy (except in the areas related to the generation of nuclear power and applications of radiation and radio isotopes to agriculture medicine and non-strategic industries) and railway transport. This policy covers all Central PSUs.